

Revised due to adoption of amendments on Select File

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				(\$189,000)
CASH FUNDS	\$79,300	\$79,300	\$42,900	\$42,900
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$79,300	\$79,300	\$42,900	(\$146,100)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 779, as amended by AM 2316 on General File and ER 8221 on Select File, creates the Sports Arena Facility Financing Assistance Act, and amends the Convention Center Facility Financing Assistance Act. The bill has an operative date of July 1, 2010 and contains the emergency clause.

As amended, the bill provides a sales tax turnback of state sales tax to enclosed and temperature-controlled sports arenas with a permanent seating capacity of 3,000 to 7,000. The turnback would include all or a part of state sales tax collected by all retailers located within 600 yards of the eligible sports arena facility.

Eligible sports arena is defined as any publicly owned, enclosed, and temperature-controlled building primarily used for sports or recreation with a seating capacity of at least 3,000 and no more than 7,000 seats in which initial occupancy occurs on or after July 1, 2010.

As amended by AM 2523 to ER 8221, the bill now provides the same sales tax turnback as for an eligible sports arena for any racetrack enclosure licensed by the State Racing Commission in which occupancy occurs on or after July 1, 2010. The turnback would include all or part of state sales tax collected by all retailers located within 600 yards of the racetrack enclosure.

Nearby retailer is defined as in Section 77-2701.32 and that is located within 600 yards of an eligible sports arena facility.

New sales tax revenue is defined as all state sales tax revenue collected by nearby retailers that commence collecting sales taxes within the period of time beginning 24 months prior to occupancy of the eligible sports arena and ending 24 months after occupancy, plus any increase in state sales tax from retailers in existence before that period. The increase in sales tax revenue is measured over the base year, which is the year immediately preceding occupancy.

A political subdivision seeking state assistance under the Act applies to a board consisting of the Governor, State Treasurer, Chairperson of the Nebraska Investment Council, Chairperson of the Nebraska State Board of Public Accountancy, and a professor of economics on the faculty of a state postsecondary educational institution appointed for a two-year term by the Coordinating Commission for Postsecondary Education. This is the same board that is in place for the Convention Center Facilities Financing Assistance Act. As amended by AM 2526 to ER 8221, political subdivision is defined as "city, village, or county."

AM 2526 to ER 8221 adds new language regarding the application of state assistance and now includes any political subdivision, as defined by the bill, or its governing board that has adopted a resolution authorizing the political subdivision to pursue a general obligation bond issue

Financial assistance is limited to 70 percent of the state sales tax collected at the eligible facility, box office sales to events at the facility, and the new state sales tax collected at nearby retailers. The other 30 percent is to be transferred to the Local, Civic, Cultural, and Convention Center Financing Fund. This is the same distribution as is in the Convention Center Facilities Financing Assistance Act.

State financial assistance is also limited by the following three events, whichever occurs first:

- a) 20 years;
- b) Full repayment of the bonds used to finance the project; or
- c) \$50 million, not counting the 30 percent transferred to the Local, Civic, Cultural, and Convention Center Financing Fund.

State assistance may not be used for an operating subsidy or other ancillary facility.

LB 779, as amended by AM 2407 to AM 2316, limits the amount of state assistance for any one year after the tenth year to the highest such amount appropriated during the first ten years of such appropriation for state assistance. If 70 percent of the state sales tax revenue exceeds the amount to be appropriated under this amendment, the excess funds are to be transferred to the General Fund.

The bill, as amended provides that any municipality that has applied for and received a grant of assistance under the Local Civic, Cultural, and Convention Center Financing Act shall not receive state assistance under the Sports Arena Facility Financing Assistance Act.

The bill, as amended, gives the Department of Revenue rule and regulation authority for both the Sports Arena Facility Financing Act and the Convention Center Facilities Financing Act.

The bill, as amended by AM 2375 to AM 2316, amends Sections 14-501.01 and 15-801 to allow a biennium budget period to commence in an even-numbered year for cities of the metropolitan class and the primary class respectively.

LB 779, as amended by AM 2528 to ER 8221, also provides for a transfer of \$79,300 to the Department of Revenue to assist in the implementation of the bill. The \$79,300 is to be transferred from the Local Civic, Cultural, and Convention Center Financing Fund to the Department of Revenue Enforcement Fund on July 1, 2010. The bill also states legislative intent to provide for a transfer of \$42,900 from the Local Civic, Cultural, and Convention Center Financing Fund to the Department of Revenue Enforcement Fund on July 1, 2011.

The bill, as amended by AM 2528 to ER 8221, also provides authority to transfer funds from the Local Civic, Cultural, and Convention Center Financing Fund at the direction of the Legislature and for the Department of Revenue Enforcement Fund to receive transfers from the Local Civic, Cultural, and Convention Center Financing Fund for the purpose of administering the Sports Arena Facility Financing Assistance Act.

The Department of Revenue indicates they assume the Act will be used for a number of projects including an indoor skating arena in Ralston and an additional \$25 million project in 2014 and 2015, and averaging one project every three years thereafter.

The initial state revenue loss is estimated to be \$189,000 for FY2011-12 and \$320,000 in FY2012-13. By FY2016-17 the bill, as amended, is expected to have an annual impact in excess of \$4.1 million.

The Department indicates that administering LB 779, as amended, requires the tracking of business locations geographically. The only accurate data the Department has on the location of businesses is by county and zip code. Implementation of the bill requires adding a Geographic Information System (GIS) data to the Department's sales and use tax database. This will allow the Department to determine the locations of businesses remitting sales taxes. Development of this system is estimated to cost \$32,140 for mainframe computer programming to add GIS coordinates to the database, and an additional \$1,360 for Oracle applications programming. It is also estimated by the Department that the original populating of 85,000 sales and use tax records with GIS coordinates will cost approximately \$13,000. The cost of GIS software is estimated at \$1,500 annually.

The Department estimates personnel costs to include 0.5 FTE for a Program Analyst who will be responsible for operating the GIS and assisting in determining the amount of state assistance from new retailers, and 0.5 FTE for a Revenue Operations Clerk III to assist in determining state assistance and to determine and do data entry of GIS coordinates of new sales tax permit locations.

There is no basis to disagree with the Department of Revenue's estimate of cost or expenditure.